

Message Text

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APPROVED BY C:HSONNENFELDT
S/S : JLHOGANSON
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FM SECSTATE WASHDC
TO AMEMBASSY BONN IMMEDIATE

SECRET STATE 233193

NODIS

E.O. 11652: XGDS-1

TAGS: PFOR, GW

SUBJECT: OFFSET AND ECONOMIC SUMMIT

EYES ONLY FOR AMBASSADOR HILLENBRAND FROM COUNSELOR
SONNENFELDT

1. FYI: VON STADEN CALLED ON COUNSELOR SONNENFELDT UNDER
INSTRUCTIONS FROM THE CHANCELLOR AND HERMES TO CONVEY
FOLLOWING ON OFFSET, NOTING THAT THE CHANCELLOR HAS NOW
RESPONDED (TEXT BELOW) TO THE PRESIDENT'S LETTER OF MAY 3.
VON STADEN MADE FOLLOWING POINTS WHICH HE SAID CHANCELLOR
WILL MAKE TO PRESIDENT:

(A) THE FRG WONDERS WHETHER, UNDER CURRENTLY PREVAILING
CONDITIONS, A TRADITIONAL OFFSET AGREEMENT IS THE WAY TO
HANDLE THIS MATTER.

(B) THE PRESENT BALANCE-OF-PAYMENT (BOP) CIRCUMSTANCES ARE
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QUITE DIFFERENT FROM THOSE OF A FEW YEARS AGO.

(C) THE NATO RUBRIC THAT OFFSET IS TO BE PAID IF THE SENDING POWER IS IN SERIOUS BOP DIFFICULTIES DOES NOT APPLY, AS THIS IS NOT THE CASE NOW.

(D) COOPERATION BETWEEN THE U.S. AND THE FRG IN BOP MATTERS GOES MUCH FARTHER THAN OFFSET ISSUES. FOR INSTANCE, THE FRG HAS MAINTAINED RESERVES IN U.S. TREASURY BONDS.

(D) HOW OFFSET IS TO BE HANDLED IS A MATTER OF PRINCIPLE IN THE MONETARY FIELD.

(E) THE RECENT DECISION BY EUROPEAN STATES TO PURCHASE THE F-16 WILL CONTINUE THE FAVORABLE U.S. BOP POSITION IN THE FIELD OF ARMS TRANSFERS.

SONNENFELDT RESPONDED THAT THE POINTS LISTED ABOVE WERE FAMILIAR. THE ONLY COURSE WAS TO LET THE PRESIDENT AND THE CHANCELLOR DISCUSS THE MATTER AND SEE HOW THE ISSUE COMES OUT.

2. TEXT OF LETTER: BONN, SEPTEMBER 26, 1975. DEAR MR. PRESIDENT, I SHOULD LIKE TO THANK YOU VERY MUCH FOR YOUR LETTER OF MAY 3, 1975, IN WHICH YOU GIVE ME YOUR IDEAS ON QUESTIONS CONCERNING THE OFFSET ISSUE. WE SHOULD INCLUDE THIS PROBLEM INTO THE LIST OF QUESTIONS TO BE DEALT WITH IN OUR FORTHCOMING EXCHANGE OF VIEWS. I AM LOOKING FORWARD TO OUR MEETING IN WASHINGTON. WITH KIND REGARDS. ALWAYS YOURS, SIGNED HELMUT SCHMIDT. END TEXT OF LETTER.

3. NEW SUBJECT. RE POSSIBLE ECONOMIC SUMMIT, SONNENFELDT NOTED THAT IN RECENT NEW YORK DISCUSSIONS SECRETARY AND UK, FRENCH AND FRG FOREIGN MINISTERS HAD AGREED AMONG THEMSELVES THAT ITALIANS SHOULD BE INVITED SUBJECT, HOWEVER, TO GENSCHER'S AND SAUVAGNARGUES' CHECKING THIS WITH THEIR RESPECTIVE CHIEFS OVER THE PAST WEEKEND. SONNENFELDT POINTED OUT THAT TIME TO INVITE ITALIANS WAS GETTING SHORT AND WONDERED WHETHER SCHMIDT HAD MADE A DECISION. VON STADEN SUBSEQUENTLY TELEPHONED TO SAY THAT HE HAD JUST HEARD FROM KINKEL THAT SCHMIDT HAD GIVEN APPROVAL, THAT SECRET

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GEHLHOFF HAD INFORMED ITALIAN AMBASSADOR IN BONN ACCORD-INGLY AND THAT GERMANS WOULD ALSO LET WORMSER KNOW AT ONCE IN HOPES OF SPEEDING FRENCH DECISION. END FYI. INGERSOLL

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